

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing 	Printed Name		License Number	

TYRONE TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2006

TYRONE TOWNSHIP
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For the year ended March 31, 2006

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

July 21, 2006

The Township Board
Tyrone Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Tyrone Township (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Tyrone Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Tyrone Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Martin, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

As management of the Tyrone Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$131,191 (or 11.45 percent).
- Total expenses of the Township's programs were \$400,323.
- Total revenues, including all program and general revenues, were \$531,514.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$652,537, an increase of \$164,434 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$528,950, or 177 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 12-17 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20-29 of this report.

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tyrone Township, assets exceeded liabilities by \$1,275,979 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$623,442 (49 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2006.

	Governmental Activities	
	2006	2005
Assets		
Current assets	\$ 652,537	\$ 488,103
Capital assets	623,442	656,685
Total Assets	1,275,979	1,144,788
Liabilities	—	—
Net Assets		
Invested in capital assets	623,442	656,685
Unrestricted	652,537	488,103
Total Net Assets	\$ 1,275,979	\$ 1,144,788

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2006:

	Governmental Activities	
	2006	2005
Program Revenues		
Charges for services	\$ 36,430	\$ 66,346
Capital grants	—	28,000
General Revenues		
Property taxes	255,112	217,311
State/intergovernmental revenue	214,181	214,808
Interest earnings	21,128	11,116
Other	7,621	27,855
Gain (loss) on sale of assets	(2,958)	—
Total Revenues	531,514	565,436
Expenses		
General government	189,595	203,133
Public safety	147,999	149,662
Public works	29,433	117,794
Recreational and cultural	5,414	5,247
Other township	27,882	30,608
Interest on long-term debt	—	276
Total Expenses	400,323	506,720
Increase in net assets	131,191	58,716
Net Assets - Beginning of Year	1,144,788	1,086,072
Net Assets - End of Year	\$ 1,275,979	\$ 1,144,788

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Governmental activities increased the Township's net assets by \$131,191. Key elements of this increase are as follows:

- Property taxes increased by \$37,801 (15 percent). This increase is a product of the increased tax levy for fire equipment and increased valuations on existing properties.
- Governmental funds' expenditures for 2005-06 decreased by \$106,397 (21 percent) compared to 2004-05 amounts due to the planning of the Township Board and a reduction in budgeted road improvements..

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$652,537, an increase of \$164,434 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Tyrone Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$426,103 and total expenditures of \$298,571. It ended the year with a fund balance of \$528,950, up from \$401,418 at March 31, 2005.

The *Fire Fund* levies property taxes for fire protection services. The Fund had total revenues of \$127,486 and total expenditures of \$90,584. It ended the year with a fund balance of \$123,587, up from \$86,685 at March 31, 2005.

General Fund Budgetary Highlights

No changes were made to the Township original adopted budget during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township had a \$903,503 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements.)

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Capital asset purchases totaled \$14,742 for the fiscal year with accumulated depreciation increasing \$25,911. The net book value of capital assets at March 31, 2006 is detailed as follows:

	Governmental Activities
Land	\$ 109,483
Land improvements	6,289
Buildings and improvements	365,775
Furniture and equipment	72,262
Vehicles	69,633
	<hr/>
Net Capital Assets	<u><u>\$ 623,442</u></u>

Long-Term Debt

The Township had no remaining long-term debt outstanding at March 31, 2006.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General and Fire Special Revenue Fund budgets for 2006-07 anticipate a reduction in year end fund balances of \$190,000. This estimate reflects property tax growth within the Township, continuing reductions in state shared revenues, increased road improvement expenditures along with a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Worley, Township Clerk, Tyrone Township, 28 East Muskegon, PO Box 275, Kent City, MI, 49330-0275.

BASIC FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 594,833
Receivables:	
Taxes (Note C)	21,805
Accounts	1,022
Due from other governmental units (Note F)	<u>34,877</u>
Total Current Assets	<u>652,537</u>
Noncurrent Assets	
Capital assets (Note E)	903,503
Less accumulated depreciation	<u>(280,061)</u>
Total Noncurrent Assets	<u>623,442</u>
Total Assets	<u>1,275,979</u>
 Liabilities	 -
 Net Assets	
Invested in capital assets	623,442
Unrestricted	<u>652,537</u>
Total Net Assets	<u><u>\$ 1,275,979</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Statement of Activities
For the year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Capital Grants	
Primary Government				
Governmental activities:				
General government	\$ 189,595	\$ 12,294	\$ -	\$ (177,301)
Public safety	147,999	24,136	-	(123,863)
Public works	29,433	-	-	(29,433)
Recreation and cultural	5,414	-	-	(5,414)
Other township	27,882	-	-	(27,882)
Total Governmental Activities	\$ 400,323	\$ 36,430	\$ -	(363,893)
General revenues:				
Property taxes levied for:				
				132,100
				123,012
				214,181
				21,128
				7,621
				(2,958)
				495,084
				131,191
				1,144,788
				\$ 1,275,979

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2006

	General	Special Revenue Fire	Total
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 479,259	\$ 115,574	\$ 594,833
Taxes receivable (Note C)	10,899	10,906	21,805
Due from other funds (Note D)	3,915	-	3,915
Due from other governmental units (Note F)	34,877	-	34,877
Total Assets	<u>\$ 528,950</u>	<u>\$ 126,480</u>	<u>\$ 655,430</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds (Note D)	<u>\$ -</u>	<u>\$ 2,893</u>	<u>\$ 2,893</u>
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
General fund	528,950	-	528,950
Special revenue fund	<u>-</u>	<u>123,587</u>	<u>123,587</u>
Total Fund Balances	<u>528,950</u>	<u>123,587</u>	<u>652,537</u>
Total Liabilities and Fund Balances	<u>\$ 528,950</u>	<u>\$ 126,480</u>	<u>\$ 655,430</u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2006

Total governmental fund balances	\$ 652,537
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$903,503 and accumulated depreciation is \$280,061.

623,442

Total net assets - governmental activities

<u>\$ 1,275,979</u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2006

	General	Special Revenue Fire	Total
Revenues			
Taxes	\$ 132,100	\$ 123,012	\$ 255,112
Licenses and permits	23,481	-	23,481
State sources	214,181	-	214,181
Charges for services	12,294	-	12,294
Fines and forfeitures	5	650	655
Interest and rentals	19,609	1,519	21,128
Other revenue	24,433	2,305	26,738
Total Revenues	426,103	127,486	553,589
Expenditures			
Current:			
Legislative	2,990	-	2,990
General government	180,388	-	180,388
Public safety	52,464	90,584	143,048
Public works	29,433	-	29,433
Recreational and cultural	5,414	-	5,414
Other township	27,882	-	27,882
Total Expenditures	298,571	90,584	389,155
Net Change in Fund Balances	127,532	36,902	164,434
Fund Balances, April 1	401,418	86,685	488,103
Fund Balances, March 31	\$ 528,950	\$ 123,587	\$ 652,537

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2006

Net change in fund balances - total governmental funds \$ 164,434

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which depreciation exceeded
capital outlays in the current period:

Capital outlays	\$ 14,742	
Depreciation expense	<u>(25,911)</u>	(11,169)

In the Statement of Activities, only the gain on the sale of capital assets
is reported, whereas in the governmental funds, the proceeds from the
sale(s) increase financial resources. Thus, the change in net assets
differs from the change in fund balance by the cost of the assets sold.

(22,074)

Total changes in net assets - governmental activities

\$ 131,191

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 131,100	\$ 131,100	\$ 132,100	\$ 1,000
Licenses and permits	40,080	40,080	23,481	(16,599)
State sources	199,000	199,000	214,181	15,181
Charges for services	14,100	14,100	12,294	(1,806)
Fines and forfeitures	20	20	5	(15)
Interest and rentals	8,700	8,700	19,609	10,909
Other revenue	4,500	4,500	24,433	19,933
Total Revenues	<u>397,500</u>	<u>397,500</u>	<u>426,103</u>	<u>28,603</u>
Expenditures				
Current:				
General government:				
Township board	3,120	3,120	2,990	130
Supervisor	21,250	21,250	20,568	682
Elections	5,700	5,700	1,166	4,534
Assessor	37,100	37,100	25,535	11,565
Legal and audit	13,000	14,800	11,385	3,415
Clerk	23,415	23,415	21,814	1,601
Board of review	900	900	781	119
General administration	46,100	46,100	36,756	9,344
Treasurer	24,650	24,650	22,494	2,156
Buildings and grounds	23,050	81,950	25,762	56,188
Cemetery	22,800	22,800	14,127	8,673
Total general government	<u>221,085</u>	<u>281,785</u>	<u>183,378</u>	<u>98,407</u>
Public safety:				
Law enforcement	11,000	11,000	8,332	2,668
Inspections	40,707	40,707	40,021	686
Planning	14,373	14,373	4,111	10,262
Total public safety	<u>66,080</u>	<u>66,080</u>	<u>52,464</u>	<u>13,616</u>
Public works:				
Highways, streets and bridges	181,000	120,000	28,328	91,672
Street lighting	1,200	1,200	1,105	95
Total public works	<u>182,200</u>	<u>121,200</u>	<u>29,433</u>	<u>91,767</u>
Recreational and cultural:				
Library	5,500	5,800	5,414	386
Other township	<u>35,550</u>	<u>35,550</u>	<u>27,882</u>	<u>7,668</u>
Total Expenditures	<u>510,415</u>	<u>510,415</u>	<u>298,571</u>	<u>211,844</u>
Net Change in Fund Balances	(112,915)	(112,915)	127,532	240,447
Fund Balances, April 1	<u>401,418</u>	<u>401,418</u>	<u>401,418</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 288,503</u></u>	<u><u>\$ 288,503</u></u>	<u><u>\$ 528,950</u></u>	<u><u>\$ 240,447</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 99,585	\$ 123,012	\$ 23,427
Interest and rentals	800	1,519	719
Fines and forfeitures	500	650	150
Other revenue	120	2,305	2,185
Total Revenues	<u>101,005</u>	<u>127,486</u>	<u>26,481</u>
Expenditures			
Current:			
Public safety	89,300	90,584	(1,284)
Net Change in Fund Balances	<u>11,705</u>	<u>36,902</u>	<u>25,197</u>
Fund Balances, April 1	<u>86,685</u>	<u>86,685</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 98,390</u></u>	<u><u>\$ 123,587</u></u>	<u><u>\$ 25,197</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2006

	Agency Funds
	<hr/>
Assets	
Cash equivalents, deposits and investments (Note B)	\$ 29,217
Due from other funds (Note D)	<hr/> 500
Total Assets	<hr/> \$ 29,717 <hr/>
 Liabilities	
Due to other funds (Note D)	\$ 1,522
Due to other governmental units	15,475
Escrow deposits	<hr/> 12,720
Total Liabilities	<hr/> \$ 29,717 <hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note A – Summary of Significant Accounting Policies

Tyrone Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Tyrone Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Tyrone. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

Additionally, the Township reports the following non-major fund types:

The *Cash Bond Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-40 years
Vehicles	5-20 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TYRONE OWNERSHIP
Notes to Basic Financial Statements
March 31, 2006

Note B – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government	\$ 594,833
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Cash equivalents, deposits and investments of Fiduciary Funds:

Primary government:	
Agency	<u>29,217</u>
	<u>\$ 624,050</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Valley Ridge Bank
2. Mercantile Bank

March 31, 2006 balances are detailed as follows:

	<u>Primary Government</u>
Cash equivalents	\$ 137,478
Deposits	<u>151,647</u>
	<u>\$ 289,125</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$289,125 and the bank balance was \$382,046. Of the bank balance \$200,000 was covered by federal depository insurance and \$182,046 was uninsured and uncollateralized.

Investments

The Township had balances totaling \$334,925 in the Kent County Surplus Funds Investment Pool at March 31, 2006.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Tyrone Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Tyrone Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Tyrone Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Liquidity: Tyrone Township's investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Tyrone Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes become due and payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Property tax revenues are recognized by the Township in the General and Fire Department Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2005 property tax roll levied December 1, 2005, represents revenue for the fiscal year ended March 31, 2006.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent and Newaygo Intermediate School Districts, Grant Public Schools, Kent City Community Schools and Sparta Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to effect of the Headlee Amendment, actual tax levies were reduced to .9925 mills for 2005-06 general operations.

In addition, Township electors have authorized and the Township levied an additional 1 mill for 2005-06 fire department operations and .25 mills for fire department equipment needs.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2005	2004	2003	2002
Township taxes levied	\$218,244	\$184,104	\$176,021	\$169,570
Taxes collected:				
Current to March 1	198,677	170,789	159,374	151,761
Total to March 31, 2006	198,677	183,996	174,893	169,010
Percentages of collections:				
Current to March 1	91.03%	92.77%	90.54%	89.50%
Total to March 31, 2006	91.03%	99.94%	99.36%	99.67%

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon Taxable Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2006 valuations in the following summary:

Year	Real	Personal	Total
2006	\$ 97,344,792	\$ 5,535,100	\$ 102,879,892
2005	92,568,117	5,708,800	98,276,917
2004	88,138,771	5,818,327	93,957,098
2003	83,734,936	5,692,800	89,427,736
2002	78,936,459	6,205,800	85,142,259
2001	73,378,039	5,720,000	79,098,039
2000	68,893,161	4,504,700	73,397,861
1999	64,755,769	4,751,200	69,506,969
1998	61,464,718	5,682,500	67,147,218
1997	57,947,020	5,262,100	63,209,120

Note D – Interfund Receivables/Payables

Amounts due from (to) other funds representing interfund receivable and payable balances to correct allocations of property tax collections at March 31, 2006 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 2,893	\$ —
Tax Account Agency Fund	949	—
Cash Bond Agency Fund	73	—
	<u>3,915</u>	<u>—</u>
Fire Special Revenue Fund:		
General Fund	—	2,893
	<u>—</u>	<u>2,893</u>
Tax Account Agency Fund:		
General Fund	—	949
Cash Bond Agency Fund	—	500
	<u>—</u>	<u>1,449</u>
Cash Bond Agency Fund:		
General Fund	—	73
Tax Account Agency Fund	500	—
	<u>500</u>	<u>73</u>
Total All Funds	<u>\$ 4,415</u>	<u>\$ 4,415</u>

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2006</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 131,557	\$ —	\$ 22,074	\$ 109,483
Capital assets being depreciated:				
Land improvements	10,000	3,289	—	13,289
Buildings and improvements	519,400	—	—	519,400
Furniture and equipment	116,888	11,453	—	128,341
Vehicles	132,990	—	—	132,990
Totals at historical cost	<u>910,835</u>	<u>\$ 14,742</u>	<u>\$ 22,074</u>	<u>903,503</u>
Less accumulated depreciation for:				
Land improvements	\$ 6,750	\$ 250	\$ —	\$ 7,000
Buildings and improvements	141,289	12,336	—	153,625
Furniture and equipment	49,275	6,804	—	56,079
Vehicles	56,836	6,521	—	63,357
Total accumulated depreciation	<u>254,150</u>	<u>\$ 25,911</u>	<u>\$ —</u>	<u>280,061</u>
Net Capital Assets –				
Governmental Activities	<u>\$ 656,685</u>			<u>\$ 623,442</u>

Depreciation expense was charged to Township activities as follows:

General government	\$ 13,405
Public safety	12,506
	<u>\$ 25,911</u>

Note F – Due From Other Governmental Units

The receivable of \$34,877 in the General Fund represents 2005-06 State of Michigan sales tax collections paid to the Township subsequent to March 31, 2006.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note G – Stewardship, Compliance and Accountability

The following Township fund had actual expenditures exceed final budgeted expenditures for the year ended March 31, 2006, as follows:

	Budget	Actual	Negative Variance
Special Revenue Fund			
Fire	\$ 89,300	\$ 90,584	\$ 1,284

Note H – Pension Plan/Defined Contribution

On January 1, 2006 the Township established a defined contribution pension plan for all elected officials and certain employees. The Township will contribute 10 percent of annual compensation on a before-tax basis. The employees will contribute 5 percent of annual compensation on an after-tax basis. In addition, the Township will contribute 3 percent of current compensation for each year of an employee's completed years of service to a maximum of ten years. (Past service must be funded over a future period of three years.) Current fiscal year contributions to the Plan totaled \$2,217.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TYRONE TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 479,259	\$ 356,503
Taxes receivable	10,899	8,512
Due from other funds	3,915	3,853
Due from other governmental units	<u>34,877</u>	<u>32,550</u>
Total Assets	<u><u>\$ 528,950</u></u>	<u><u>\$ 401,418</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>528,950</u>	<u>401,418</u>
Total Liabilities and Fund Balances	<u><u>\$ 528,950</u></u>	<u><u>\$ 401,418</u></u>

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2006 and 2005

	2006	2005
Taxes:		
Current property taxes	\$ 95,707	\$ 92,453
Industrial facilities taxes	288	352
Delinquent property taxes	2,258	-
Trailer fees	915	1,083
Penalties and interest on taxes	113	439
Property tax administration fees	32,819	31,105
	<u>132,100</u>	<u>125,432</u>
Licenses and permits:		
Building, electrical and plumbing permits	23,396	43,111
Dog licenses	85	84
	<u>23,481</u>	<u>43,195</u>
Federal sources:		
Vote America grant	-	8,000
State sources:		
Sales taxes	210,909	211,429
PA 48/ Metro Act	3,272	3,379
	<u>214,181</u>	<u>214,808</u>
Charges for services:		
Zoning and appeals fees	2,350	2,050
Private road application fees	100	-
Summer tax collection fees	7,214	14,103
Parcel split fees	600	1,000
Sale of cemetery lots	2,030	5,645
	<u>12,294</u>	<u>22,798</u>
Fines and forfeitures:		
Court ordinance fines	5	73
Interest and rentals:		
Interest on deposits and investments	15,184	6,784
Rentals	4,425	3,475
	<u>19,609</u>	<u>10,259</u>
Other revenue:		
Other revenue	680	4,162
Sale of assets	19,117	-
Library reimbursements	2,923	2,923
Refunds of expenditures	1,244	658
Miscellaneous	469	650
	<u>24,433</u>	<u>8,393</u>
Total Revenues	<u><u>\$ 426,103</u></u>	<u><u>\$ 432,958</u></u>

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Current:		
General government:		
Township board:		
Salaries	\$ 2,990	\$ 3,000
Supervisor:		
Salary	20,000	18,540
Office supplies	36	6
Travel and expense	396	344
Education	-	69
Dues and memberships	60	-
Miscellaneous	76	-
	<u>20,568</u>	<u>18,959</u>
Elections:		
Salaries	578	1,944
Office supplies	92	307
Travel and expenses	37	86
Repair and maintenance	-	174
Miscellaneous	384	608
New equipment	75	8,000
	<u>1,166</u>	<u>11,119</u>
Assessor:		
Salary	21,482	26,780
Office supplies	4,043	1,890
Travel and expense	-	69
Education	10	-
	<u>25,535</u>	<u>28,739</u>
Legal and audit:		
Legal fees	2,135	1,975
Audit fees	9,250	10,240
	<u>11,385</u>	<u>12,215</u>
Clerk:		
Salaries:		
Clerk	20,000	18,540
Deputy	15	104
Office supplies	1,617	237
Travel and expenses	56	41
Dues and memberships	15	15
Miscellaneous	111	60
New equipment	-	4,109
	<u>21,814</u>	<u>23,106</u>
Board of review:		
Salaries	585	599
Miscellaneous	196	97
	<u>781</u>	<u>696</u>
General administration:		
Clerical salaries	20,532	20,316
Office supplies	10,651	8,406
Telephone	1,811	4,487
Legal notices and publications	283	1,289

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	2006	2005
General administration: (Continued)		
Dues and memberships	\$ 1,933	\$ 2,003
Miscellaneous	1,546	2,080
	<u>36,756</u>	<u>38,581</u>
Treasurer:		
Salaries:		
Treasurer	20,000	18,540
Deputy	276	185
Office supplies	1,997	4,969
Travel and expenses	36	96
Dues and memberships	50	50
Miscellaneous	135	959
	<u>22,494</u>	<u>24,799</u>
Buildings and grounds:		
Custodian salary	4,500	4,200
Travel and expenses	44	10
Utilities	8,853	9,320
Repair and maintenance	6,554	2,160
Snow plowing	673	887
Miscellaneous	256	614
Land	984	55,357
New equipment	3,898	10,734
	<u>25,762</u>	<u>83,282</u>
Cemetery:		
Sexton salary	5,488	5,605
Gasoline and oil	510	444
Utilities	75	84
Repair and maintenance	4,253	2,073
Miscellaneous	512	326
New equipment	3,289	6,713
	<u>14,127</u>	<u>15,245</u>
Total general government	<u>183,378</u>	<u>259,741</u>
Public safety:		
Law enforcement:		
Kent County sheriff patrol	8,332	6,631
Inspections:		
Salaries:		
Building inspector	25,999	26,093
Electrical inspector	5,880	8,010
Plumbing inspector	4,260	6,700
Mechanical inspector	750	-
Office supplies	849	394
Professional services	-	457
Travel and expense	2,083	2,261
Education	-	45
Dues and memberships	200	200
New equipment	-	2,995
	<u>40,021</u>	<u>47,155</u>

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	2006	2005
Planning and zoning:		
Zoning administrator salary	\$ 781	\$ 687
Planning commission fees	1,430	1,808
Board of appeals fees	480	580
Contracted services	1,420	(338)
Miscellaneous	-	70
	<u>4,111</u>	<u>2,807</u>
Total public safety	<u>52,464</u>	<u>56,593</u>
Public works:		
Highways, streets and bridges:		
Road construction	21,285	108,071
Dust layer	7,043	8,631
	<u>28,328</u>	<u>116,702</u>
Street lighting:		
Utilities	1,105	1,092
	<u>29,433</u>	<u>117,794</u>
Recreational and cultural:		
Library:		
Utilities	4,099	4,311
Repair and maintenance	1,315	306
Miscellaneous	-	630
	<u>5,414</u>	<u>5,247</u>
Other township:		
Social Security taxes	11,808	12,221
Pension plan	2,217	-
Insurance and bonds	7,975	7,931
Rubbish removal	5,576	6,470
Miscellaneous	-	36
Tax refunds	306	3,950
	<u>27,882</u>	<u>30,608</u>
Debt service:		
Principal repayment	-	32,941
Interest expense	-	255
	<u>-</u>	<u>33,196</u>
Total debt service	<u>-</u>	<u>33,196</u>
Total Expenditures	<u><u>\$ 298,571</u></u>	<u><u>\$ 503,179</u></u>

SPECIAL REVENUE FUND

Fire — to account for property tax revenues and interest earnings used for fire department operations and equipment .

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 115,574	\$ 83,059
Taxes receivable	<u>10,906</u>	<u>6,519</u>
Total Assets	<u><u>\$ 126,480</u></u>	<u><u>\$ 89,578</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 2,893</u>	<u>\$ 2,893</u>
Fund Balances		
Unreserved:		
Undesignated	<u>123,587</u>	<u>86,685</u>
Total Liabilities and Fund Balances	<u><u>\$ 126,480</u></u>	<u><u>\$ 89,578</u></u>

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2006 and 2005

	2006	2005
Revenues		
Taxes:		
Current operating property taxes	\$ 98,029	\$ 91,536
Current equipment property taxes	24,495	-
Industrial facilities taxes	425	343
Penalties and interest taxes	63	-
Total taxes	123,012	91,879
Federal sources:		
FEMA grant	-	20,000
Fines and forfeitures:		
Emergency cost fines	650	280
Interest and rentals:		
Interest on deposits and investments	1,519	857
Other revenue:		
Insurance reimbursements	2,005	19,446
Miscellaneous	300	16
Total other revenue	2,305	19,462
Total Revenues	127,486	132,478
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief, assistants	7,694	7,376
Firefighters	29,179	27,784
Social Security taxes	2,821	2,690
Supplies	7,945	10,969
Gas and oil	2,190	1,224
Physical examinations	-	260
Uniforms	1,169	1,101
Kent County EMS	187	-
County fire assessment	6,331	5,153
Telephone	841	734
Education	2,645	65
Insurance and bonds	5,930	5,702
Utilities	5,652	6,057
Vehicles repair and maintenance	1,103	507
Dues and memberships	25	100
Miscellaneous	1,991	1,302
Tax refunds	112	-
New equipment	14,769	33,646
New vehicles	-	29,890
Total Expenditures	90,584	134,560
Net Change in Fund Balances	36,902	(2,082)
Fund Balances, April 1	86,685	88,767
Fund Balances, March 31	\$ 123,587	\$ 86,685

AGENCY FUNDS

Cash Bond Agency—to account for the collection of bonds and deposits and payment to the contractors or other persons entitled to receive these funds.

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses and trailer fees and payment to the governmental units, funds or other persons entitled to receive these funds.

TYRONE TOWNSHIP
Agency Funds
Combining Balance Sheet
March 31, 2006
With comparative totals for March 31, 2005

	Cash Bond	Tax Account	Totals	
			2006	2005
Assets				
Cash equivalents	\$ 12,293	\$ 16,519	\$ 28,812	\$ 23,624
Deposits	-	405	405	1
Due from other funds	500	-	500	-
Due from other governmental units	-	-	-	9,050
Total Assets	<u>\$ 12,793</u>	<u>\$ 16,924</u>	<u>\$ 29,717</u>	<u>\$ 32,675</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 73	\$ 1,449	\$ 1,522	\$ 960
Due to other governmental units	-	15,475	15,475	14,495
Escrow deposits	12,720	-	12,720	17,220
Total Liabilities	<u>12,793</u>	<u>16,924</u>	<u>29,717</u>	<u>32,675</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 12,793</u>	<u>\$ 16,924</u>	<u>\$ 29,717</u>	<u>\$ 32,675</u>

TYRONE TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2006

	<u>Balances April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances March 31, 2006</u>
Cash Bond Fund				
Assets				
Cash equivalents	\$ 17,220	\$ 9,073	\$ 14,000	\$ 12,293
Due from other funds	-	500	-	500
Total Assets	<u>\$ 17,220</u>	<u>\$ 9,573</u>	<u>\$ 14,000</u>	<u>\$ 12,793</u>
Liabilities				
Escrow deposits	\$ 17,220	\$ 9,500	\$ 14,000	\$ 12,720
Due to other funds	-	73	-	73
Total Liabilities	<u>\$ 17,220</u>	<u>\$ 9,573</u>	<u>\$ 14,000</u>	<u>\$ 12,793</u>
Tax Account Fund				
Assets				
Cash equivalents	\$ 6,404	\$ 3,138,504	\$ 3,128,389	\$ 16,519
Deposits	1	3,336,273	3,335,869	405
Due from other governmental units	9,050	-	9,050	-
Total Assets	<u>\$ 15,455</u>	<u>\$ 6,474,777</u>	<u>\$ 6,473,308</u>	<u>\$ 16,924</u>
Liabilities				
Accounts payable	\$ -	\$ 27,304	\$ 27,304	\$ -
Due to other funds	960	236,226	235,737	1,449
Due to other governmental units	14,495	2,873,054	2,872,074	15,475
Total Liabilities	<u>\$ 15,455</u>	<u>\$ 3,136,584</u>	<u>\$ 3,135,115</u>	<u>\$ 16,924</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash equivalents	\$ 23,624	\$ 3,147,577	\$ 3,142,389	\$ 28,812
Deposits	1	3,336,273	3,335,869	405
Due from other funds	-	500	-	500
Due from other governmental units	9,050	-	9,050	-
Total Assets	<u>\$ 32,675</u>	<u>\$ 6,484,350</u>	<u>\$ 6,487,308</u>	<u>\$ 29,717</u>
Liabilities				
Accounts payable	\$ -	\$ 27,304	\$ 27,304	\$ -
Due to other funds	960	236,299	235,737	1,522
Due to other governmental units	14,495	2,873,054	2,872,074	15,475
Escrow deposits	17,220	9,500	14,000	12,720
Total Liabilities	<u>\$ 32,675</u>	<u>\$ 3,146,157</u>	<u>\$ 3,149,115</u>	<u>\$ 29,717</u>

OTHER INFORMATION

TYRONE TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
<u>Ad Valorem Taxes</u>					
Kent County	\$98,276,917	5.31400	\$ 512,615	\$ 41,798	\$ 470,817
Kent District Library	98,276,917	0.88000	86,246	7,678	78,568
State Education Tax		6.00000			
Grant Public Schools	464,481		2,787	30	2,757
Kent City Community Schools	97,342,331		582,486	32,754	549,732
Sparta Area Schools	470,105		2,821	351	2,470
Total State Education Tax			588,094	33,135	554,959
School Districts					
Kent Intermediate School District	97,812,436	4.64530	453,150	25,630	427,520
Newaygo Intermediate School District	464,481	6.07650	2,822	30	2,792
Grand Rapids Community College	97,812,436	1.78650	171,508	9,857	161,651
Grant Public Schools:					
Other	464,481	7.46000	3,465	37	3,428
Operating	29,746	18.00000	535	-	535
Kent City Community Schools:					
Other	97,342,331	9.25000	900,398	65,085	835,313
Operating	19,923,046	17.70840	348,195	29,808	318,387
Sparta Area Schools:					
Other	470,105	7.13520	3,354	594	2,760
Operating	27,189	18.00000	490	-	490
Total School Districts			1,883,917	131,041	1,752,876
Tyrone Township	98,276,917				
Operating		0.99250	95,739	8,660	87,079
Fire protection		1.00000	98,009	8,726	89,283
Fire equipment		0.25000	24,495	2,181	22,314
Tax administration fees			32,972	2,314	30,658
Total Tyrone Township			251,215	21,881	229,334
Total Ad Valorem Taxes			<u>\$3,322,087</u>	<u>\$ 235,533</u>	<u>\$3,086,554</u>

(Continued)

TYRONE TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
<u>Tax Abatements</u>					
Industrial Facilities Taxes (PA 198)	\$ 576,900				
Kent County		2.65700	\$ 1,944	\$ -	\$ 1,944
Kent District Library		0.44000	254	-	254
State Education Tax					
Kent City Community Schools		6.00000	1,731	-	1,731
School Districts					
Kent Intermediate School District		2.32265	1,340	-	1,340
Grand Rapids Community College		0.89325	515	-	515
Kent City Community Schools:					
Other	763,638	4.62500	4,395	-	4,395
Operating		8.85420	5,108	-	5,108
Tyrone Township					
Operating		0.49625	288	-	288
Fire protection		0.50000	281	-	281
Fire equipment		0.12500	144	-	144
Administration fees			63	-	63
Total Industrial Facilities Taxes			<u>\$ 16,063</u>	<u>\$ -</u>	<u>\$ 16,063</u>

*Current collections include ad valorem taxes collected for and distributed to the Village of Kent City Downtown Development Authority. The following amounts were withheld from the various taxing units as shown and paid to the DDA.

Kent County	\$ 8,207
Grand Rapids Community College	2,759
Tyrone Township:	
Operating	<u>1,533</u>
Total DDA Capture	<u>\$ 12,499</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

July 21, 2006

The Township Board
Tyrone Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Tyrone Township as of and for the year ended March 31, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Tyrone Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Tyrone Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Tyrone Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Tyrone Township. We found that the internal control structure and accounting system was adequate and operating in the manner intended.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$8,512 and \$10,899 to reverse and accrue prior and current year taxes receivable.
2. \$4,953 to classify property tax collections and receipts from the Township Tax Account Agency Fund into the correct accounts.
3. \$32,550 and \$34,877 to reverse and accrue final state revenue sharing payments receivable at year end.

Fire Fund

1. \$6,519 and \$10,906 to reverse and accrue year end taxes receivable.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Tyrone Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Tyrone Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Tyrone Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Austin, P.C.

Certified Public Accountants